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**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

Producers 88 – Paid Up  
 With 640 Acres Pooling Provision

## PAID UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 27 day of MAY, 2008, by and between

**FMR Texas I, LLC**  
 82 Devonshire Street, F7D  
 Boston, Massachusetts 02109-3614

as Lessor (whether one or more), and HILLWOOD OIL & GAS 1031 LLC, 2626 Howell Street, 10<sup>th</sup> Floor, Dallas, Texas, 75204 as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land located in the County of Tarrant and Denton, State of Texas, hereinafter called leased premises:

SEE ATTACHED EXHIBIT "A"

more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon substances produced in association therewith; provided, however, that Lessee shall have no right to access or occupy the surface of the leased premises. The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease, requiring no rentals, shall be in force for a primary term of two (2) years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof. If at the end of the primary term, or any extension thereof, there is no production in paying quantities from any portion of the leased premises, this lease shall terminate as to all such lands that are not within a drilling or proration unit (as set forth in Paragraph 6 below) that contains a well producing in paying quantities located on the leased premises or on lands pooled therewith.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty five percent (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessor shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casinghead gas) and all other substances covered hereby, the royalty shall be twenty five percent (25%) of the gross proceeds from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes. Lessor shall not bear any of the costs incurred by Lessee in delivering, gathering, compressing, treating, transporting, processing or otherwise marketing such gas or other substances, and provided further that Lessor shall have the continuing right to purchase such production at the prevailing market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessor commenced its purchases hereunder; and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease. If for a period of 90 consecutive days such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one hundred dollars (\$100.00) per acre then covered by this lease, such payment to be made to Lessor or to Lessor's credit in the depository designated below, on or before the end of said 90-day period and thereafter on or before each anniversary of the end of said 90-day period while the well or wells are shut-in or production therefrom is not being sold by Lessee; provided that if this lease is otherwise being maintained by operations, or if production is being sold by Lessee from another well or wells on the leased premises or lands pooled therewith, no shut-in royalty shall be due until the end of the 90-day period next following cessation of such operations or production. Lessee's failure to properly pay shut-in royalty shall operate to automatically terminate this lease.

4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

5. If Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production on the leased premises or lands pooled therewith within 90 days after completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith as a reasonably prudent operator would drill under the same or similar circumstances to (a) develop the leased premises as to formations then capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interest, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 120 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be the proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, all in Lessee's sole discretion. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

8. The interest of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns; provided, however, that Lessee may not assign any portion of its interest in this lease without the prior written consent of Lessor. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 30 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferee to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones thereunder, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest, in less than all of the area covered hereby, Lessee's obligation to pay or tender shut-in royalties shall be proportionately reduced in accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the rights of ingress and egress along with the right to conduct such operations below the surface of the ground on the leased premises as may be reasonably necessary for such purposes, including but not limited to the drilling of wells deemed necessary by Lessee to discover and produce production. Lessee may use in such operations, free of cost, any oil, gas, water, and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply to the leased premises described in Paragraph 1 above that remain in effect, notwithstanding any partial release of other partial termination of this lease. No well shall be located less than 1000 feet from any building or structure now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to the building and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of prevention or delay actually experienced by Lessee and of which Lessor has been notified in writing at the time of such event shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least thirty (30) days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee fails to do so. The foregoing provisions of this Paragraph shall not apply to any express automatic termination provisions of this lease.

13. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land that are not part of the leased premises and from which Lessor shall have no right to royalty or other benefit.

14. Lessor agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved. In the event the leased premises are encumbered by a mortgage, then prior to the payment of any royalties due hereunder, Lessor agrees to obtain a subordination of mortgage, at Lessor's expense, in a form acceptable to Lessee.

15. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

16. Lessor has the on-going right, but not the obligation, to exercise from time to time a call on production for all natural gas produced from the leased premises or from lands pooled therewith. Lessor shall notify Lessee in writing no less than thirty (30) days prior to the exercise or termination of Lessor's call on production right hereunder. For any natural gas delivered to Lessor pursuant to the terms of this Paragraph 16, Lessor shall pay to Lessee an amount that is equal to the price (\$/mmbtu) that Lessee is then receiving for natural gas sold to a third-party bona fide purchaser for value under an arm's length purchase and sales contract for natural gas sold from the leased premises or from other lands in the same area as the leased premises. Lessee shall provide to Lessor a copy of the purchase and sales contract that serves as the basis for the price of such produced natural gas. The sale of natural gas to Lessor shall occur at the lease premises, and Lessor shall not bear any of the post-production costs identified in Paragraph 3 above. Lessor shall bear all costs necessary to meter and receive all natural gas volumes delivered pursuant to this Paragraph 16.

17. Lessee shall indemnify and hold Lessor harmless from and against any and all damages of any kind or nature that may occur to Lessor's property or improvements thereon, including but not limited to buildings, structures, facilities, utilities, and any other improvements whether similar or dissimilar, resulting directly or indirectly from Lessee's activities adjacent to or underneath the surface of the leased premises.

Lessee, at its own expense, shall procure and maintain during the term of this lease insurance policies to cover all potential damages to Lessor and its property and improvements, include the following coverage:

- (a) Worker's Compensation insurance for its own employees that meets the statutory limits of the states in which vendor/supplier operates and all federal statutes and regulations, if applicable;
- (b) Employer's Liability of not less than \$1,000,000 combined single limit per occurrence, if applicable;
- (c) Commercial General Liability of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate including contractual liability;
- (d) Comprehensive Automobile Liability including coverage for hired, non-owned and leased vehicles with a combined single limit of \$1,000,000 per occurrence;
- (e) Umbrella or Excess Liability Insurance providing coverage in excess of the coverage listed in (c) and (d) above in an amount not less than \$5,000,000 per occurrence;
- (f) Control of Well Insurance - of not less than \$1,000,000 per occurrence for care, custody and control, - of not less than \$5,000,000 per occurrence for drilling and deepening of wells.

FMR Texas I, LLC, FMR LLC, and all subsidiary and affiliated companies and Monumental Life Insurance Company are to be named as an additional insured as their interest may appear under (c), (d), and (e) above. All coverage listed above shall apply on a primary basis and include a waiver of subrogation in favor of Lessor. Lessee shall furnish to Lessor certificates of insurance evidencing such coverage. All certificates shall provide thirty (30) days written notice to Lessor prior to the effective date of any termination of coverage. Nothing in this section shall deem to limit the Lessee's liability to the amounts stated above or to limit any coverage of Vendor/Supplier's insurance policies.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees executors, administrators, successors, and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:

FMR TEXAS I, LLC

By: Fidelity Corporate Real Estate, Inc.,  
Its Manager

By:

Name: Kourosh Panahy  
Title: Senior Vice President

LESSEE:

HILLWOOD OIL & GAS 1031, LLC, a Texas limited liability company

By: RTT Financial, Inc., a Texas corporation, its sole member

By:

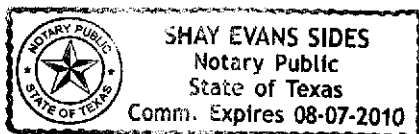
Wanda Garner, Vice President

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF ~~TARRANT~~ Dallas

ON THIS 27<sup>th</sup> day of May, 2008, before me appeared Wanda Garner to me personally known, who, being by me duly sworn, did say that (s)he is the Vice President of HILLWOOD OIL & GAS 1031, LLC and that said instrument was signed in behalf of said limited partnership by authority of its members and said appearer acknowledged said instrument to be the free act and deed of said limited partnership.



Shay Evans Sides  
Notary Public

ACKNOWLEDGEMENT

STATE OF TEXAS

COUNTY OF TARRANT

ON THIS 27 day of May, 2008, before me appeared Kourosh Panahy, Senior Vice President of Fidelity Corporate Real Estate, Inc., the manager of FMR TEXAS I, LLC, to me personally known, who, being by me duly sworn, did say that (s)he is the Senior Vice President of Fidelity Corporate Real Estate, Inc., the manager of FMR TEXAS I, LLC, and that said instrument was signed in behalf of said company by authority of its members and/or Board of Directors and said appearer acknowledged said instrument to be the free act and deed of said company.

Caroline Ann Bladwell  
Notary Public EXP. February 9, 2012

RETURN TO  
Gayle Landwehr  
411 Keller Parkway  
Keller, Texas 76448  
817-337-1111

## Exhibit A

Lot 1 (87.725 acres more or less) of the Fidelity Investments Addition Phase I, an addition to the Town of Westlake, Tarrant County, Texas according to the map or plat thereof recorded in Cabinet A, Slide 1104, Plat Records, Tarrant County, Texas.



DOYLE LAND SERVICES  
417 KELLER PKWY

KELLER TX 76248

Submitter: DOYLE LAND SERVICES

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 05/28/2008 12:04 PM  
Instrument #: D208197490  
LSE 5 PGS \$28.00

By: \_\_\_\_\_



**D208197490**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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